

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Correction of Error

As discussed in Note 17 to the financial statements, certain errors resulting in overstatement of amounts previously reported for accounts payable as of June 30, 2019, were discovered by management of the District during the current year. Accordingly, amounts reported for accounts payable have been restated in the June 30, 2020 financial statements now presented, and an adjustment has been made to the District's Net Position as of July 1, 2019, to correct the error. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 10, and other required supplementary schedules on pages 73 through 77, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 19, 2021



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COLLEGE DISTRICT
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USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of San Bernardino Community College District (the District) as of June 30, 2020. The report consists of the following three basic financial statements: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

San Bernardino Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focus on the District as a whole. The government-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term liabilities. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL HIGHLIGHTS

- The District’s primary funding source is apportionment received from the State of California. The District’s apportionment amount is determined by the number and size of colleges in the District and the number of Full-Time Equivalent Students (FTES). The District FTES for the year ended June 30, 2020 was approximately the same as the prior year, as noted below.

	Year Ended June 30		
	2020	2019	Change
San Bernardino Valley College	10,795	10,480	3.0%
Crafton Hills College	4,679	4,812	-2.8%
San Bernardino Community College District	15,474	15,292	1.2%

- The District continues to monitor compliance with the 50 percent law, which requires that at least 50% of the current expense of education be spent on instructional salaries. During the year ended June 30, 2020, the District improved the rate to 50.63% from 50.28% in the previous year.
- In November 2018, the District received tremendous voter support for the passage of bond measure CC. Work has now begun on many needed infrastructure projects.
- During the fiscal year, the District refinanced previous bonds, saving taxpayers over \$19 million.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting method used by most private-sector organizations. The Statement of Net Position is a point-of-time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position primarily presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets plus deferred outflows of resources minus liabilities).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the assets and their availability for expenditure by the District.

The difference between the sum of total assets plus deferred outflows of resources and total liabilities plus deferred inflows (net position) is one indicator of the current financial condition of the District. Another indicator is the change in net position which shows whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Position is divided into three major categories. The first category, net investment in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted assets. These assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position that is available to the District for any lawful purpose of the District

The Statement of Net Position as of June 30, 2020 and June 30, 2019, is summarized below.

	<u>2020</u>	<u>(As restated) 2019</u>
Assets		
Cash and investments	\$ 490,780,715	\$ 219,084,052
Accounts receivable (net)	32,542,873	18,061,750
Other current assets	790,624	738,063
Capital assets (net)	<u>576,124,286</u>	<u>577,563,778</u>
Total assets	<u>1,100,238,498</u>	<u>815,447,643</u>
Deferred Outflows of Resources		
Deferred charges on refunding	29,915,177	12,978,711
Deferred outflows of resources related to OPEB	1,892,609	287,288
Deferred outflows of resources related to pensions	<u>50,383,697</u>	<u>50,052,864</u>
Total deferred outflows of resources	<u>82,191,483</u>	<u>63,318,863</u>
Liabilities		
Accounts payable and other liabilities	56,601,149	53,900,304
Current portion of long-term debt	<u>28,475,000</u>	<u>12,190,000</u>
Total current liabilities	<u>85,076,149</u>	<u>66,090,304</u>
Long-Term Liabilities	<u>1,026,724,751</u>	<u>708,817,720</u>
Total liabilities	<u>1,111,800,900</u>	<u>774,908,024</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	2,796,273	4,652
Deferred inflows of resources related to pensions	<u>9,039,896</u>	<u>12,426,213</u>
Total deferred inflows of resources	<u>11,836,169</u>	<u>12,430,865</u>
Net Position		
Net investment in capital assets	55,591,254	114,974,782
Restricted	60,714,111	33,805,713
Unrestricted (deficit)	<u>(57,512,453)</u>	<u>(57,352,878)</u>
Total net position	<u>\$ 58,792,912</u>	<u>\$ 91,427,617</u>

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position are presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and nonoperating revenues earned, whether received or not by the District; the operating and nonoperating expense incurred, whether paid or not by the District; and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided. For example, State appropriations are nonoperating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2020 and June 30, 2019, is summarized below.

	2020	(As restated) 2019
Operating Revenues		
Tuition and fees, net	\$ 7,778,289	\$ 8,122,055
Grants and contracts, non capital	37,376,366	37,460,798
Auxiliary sales and charges	431,756	581,720
Total operating revenues	45,586,411	46,164,573
Operating Expenses		
Salaries and benefits	150,660,775	128,625,481
Supplies, maintenance and equipment	37,838,017	34,933,223
Student financial aid	35,204,266	27,232,054
Depreciation	20,102,592	17,778,233
Total operating expenses	243,805,650	208,568,991
Operating loss	(198,219,239)	(162,404,418)
Nonoperating Revenues (Expenses)		
State apportionments	64,956,192	62,532,460
Property taxes	77,265,962	62,439,947
Financial aid grants, non capital	31,266,396	25,755,669
State revenues	3,973,093	4,223,948
Net investment expense	(27,364,278)	(22,648,534)
Other nonoperating revenues	12,324,665	5,282,457
Total nonoperating revenue (expenses)	162,422,030	137,585,947
Other Revenues and (Losses)	3,162,504	2,157,473
Change in net position	\$ (32,634,705)	\$ (22,660,998)

San Bernardino Community College District
Management's Discussion and Analysis
June 30, 2020

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

Year ended June 30, 2020:

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 39,070,815	\$ 22,005,072	\$ 1,149,031	\$ 950,091	\$ -	\$ -	\$ 63,175,009
Academic support	13,308,098	8,095,976	2,250,199	235,935	-	-	23,890,208
Student services	15,448,549	9,564,218	1,195,092	347,374	-	-	26,555,233
Plant operations and maintenance	7,535,056	5,201,387	2,219,523	478,012	-	-	15,433,978
Institutional support services	10,089,513	7,146,992	8,763,166	930,593	-	-	26,930,264
Community services and economic development	1,908,101	1,198,656	1,395,540	3,678,198	-	-	8,180,495
Ancillary services and auxiliary operations	5,138,576	3,507,428	3,122,401	428,204	-	-	12,196,609
Student aid	-	-	-	-	35,204,266	-	35,204,266
Physical property and related acquisitions	867,791	574,547	4,615,403	6,079,255	-	-	12,136,996
Unallocated depreciation	-	-	-	-	-	20,102,592	20,102,592
Total	\$ 93,366,499	\$ 57,294,276	\$ 24,710,355	\$ 13,127,662	\$35,204,266	\$ 20,102,592	\$243,805,650

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows reports cash provided by or used in the following activities:

- Operating - consists of cash receipts from enrollment fees, grants and contracts, and cash payments for salaries, benefits, supplies, utilities, and other items related to the instructional program.
- Noncapital financing - primarily State apportionment and property taxes.
- Capital financing - purchase of capital assets (land, buildings, and equipment) and bond interest payments and receipts from Federal and State grants for capital purposes, as well as property tax revenue for bond repayments.
- Investing - consists of investment activities and earnings on those investments.

San Bernardino Community College District
Management's Discussion and Analysis
June 30, 2020

The Statement of Cash Flows for the years ended June 30, 2020 and June 30, 2019, is summarized below.

	2020	2019
Cash Provided by (Used in)		
Operating activities	\$ (164,650,060)	\$ (136,000,195)
Noncapital financing activities	138,552,867	128,016,502
Capital financing activities	292,428,501	(45,798,412)
Investing activities	10,087,653	6,301,035
Net Increase (Decrease) in Cash	276,418,961	(47,481,070)
Cash and cash equivalents, beginning of year	183,397,094	230,878,164
Cash and cash equivalents, end of year	\$ 459,816,055	\$ 183,397,094

CAPITAL ASSET AND LONG-TERM LIABILITIES

Capital Assets

As of June 30, 2020, the District had \$769.9 million in capital assets, less \$193.8 million accumulated depreciation for net capital assets of \$576.1 million. The District spent approximately \$18.7 million on capital assets during the year, the majority of which relate to bond proceeds and commercial real estate investment. Depreciation charges during the year totaled \$20.1 million. Note 6 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Land and construction in progress	\$ 33,961,213	\$ 18,619,246	\$ (27,919,242)	\$ 24,661,217
Buildings and improvements	682,785,765	26,377,585	-	709,163,350
Furniture and equipment	34,631,074	1,601,657	(130,006)	36,102,725
Subtotal	751,378,052	46,598,488	(28,049,248)	769,927,292
Accumulated depreciation	(173,814,274)	(20,102,592)	113,860	(193,803,006)
	\$ 577,563,778	\$ 26,495,896	\$ (27,935,388)	\$ 576,124,286

Long-Term Liabilities Including OPEB and Pensions

As of June 30, 2020, the District had \$1,055.2 million in long-term liabilities consisting of \$908.6 million from general obligation bonds, \$137.7 million from aggregate net pension liability, \$1.3 million from aggregate net OPEB liability, \$4.4 million from compensated absences, and \$3.2 million claims liability.

Details including the type, interest rates, and maturities of the general obligation bonds are found in Note 10. A summary of long-term liabilities is presented below.

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long Term Liabilities					
General obligation bonds	\$ 555,565,798	\$ 454,423,669	\$ (151,669,489)	\$ 858,319,978	\$ 28,475,000
Premium on general obligation bonds	35,213,069	18,381,130	(3,338,240)	50,255,959	-
Compensated absences	3,544,547	846,475	-	4,391,022	-
Claims liability	3,174,783	-	-	3,174,783	-
Aggregate net OPEB liability	2,111,291	-	(795,798)	1,315,493	-
Aggregate net pension liability	121,398,232	16,344,284	-	137,742,516	-
Total long-term liabilities	<u>\$ 721,007,720</u>	<u>\$ 489,995,558</u>	<u>\$ (155,803,527)</u>	<u>\$ 1,055,199,751</u>	<u>\$ 28,475,000</u>

ECONOMIC FACTORS AFFECTING THE FUTURE OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

The financial position of San Bernardino Community College District is closely tied to that of the State of California. The District receives approximately 75% of its combined general fund revenues through State apportionments and local property taxes. These two sources, along with allocations from the Education Protection Account, redevelopment allocations, and student paid enrollment fees, essentially make up the District's general apportionment, the main funding support for California community colleges.

Management continues to closely monitor the State budget information and operating costs of the District and maintains a close watch over resources to help ensure financial stability and retain reserve levels required by Board Policy and the State Chancellor's Office.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Vice Chancellor, Business and Fiscal Services, at San Bernardino Community College District, 550 East Hospitality Lane, San Bernardino, California 92408.

San Bernardino Community College District

Statement of Net Position

June 30, 2020

Assets	
Cash and cash equivalents	\$ 46,336,488
Investments	444,444,227
Accounts receivable	23,867,445
Student receivable, net	3,627,873
Due from fiduciary funds	5,047,555
Prepaid expenses	743,032
Inventories	14,058
Other current assets	33,534
Capital assets	
Nondepreciable capital assets	24,661,217
Depreciable capital assets, net of depreciation	<u>551,463,069</u>
Total capital assets	<u>576,124,286</u>
Total assets	<u>1,100,238,498</u>
Deferred Outflows of Resources	
Deferred charges on refunding	29,915,177
Deferred outflows of resources related to other post employment benefits (OPEB)	1,892,609
Deferred outflows of resources related to pensions	<u>50,383,697</u>
Total deferred outflows of resources	<u>82,191,483</u>
Liabilities	
Accounts payable	19,667,505
Accrued interest payable	14,510,698
Due to fiduciary funds	2,581,920
Unearned revenue	19,841,026
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	28,475,000
Long-term liabilities other than OPEB and pensions, due in more than one year	887,666,742
Aggregate net OPEB liability	1,315,493
Aggregate net pension liability	<u>137,742,516</u>
Total liabilities	<u>1,111,800,900</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	2,796,273
Deferred inflows of resources related to pensions	<u>9,039,896</u>
Total deferred inflows of resources	<u>11,836,169</u>

San Bernardino Community College District
Statement of Net Position
June 30, 2020

Net Position	
Net investment in capital assets	\$ 55,591,254
Restricted for:	
Debt service	53,598,558
Capital projects	5,881,080
Educational programs	1,234,473
Unrestricted deficit	<u>(57,512,453)</u>
Total net position	<u>\$ 58,792,912</u>

San Bernardino Community College District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

Operating Revenues	
Student tuition and fees	\$ 20,061,636
Less: Scholarship discount and allowance	<u>(12,283,347)</u>
Net tuition and fees	<u>7,778,289</u>
Grants and Contracts, noncapital	
Federal	4,168,679
State	30,207,713
Local	<u>2,999,974</u>
Total grants and contracts, noncapital	<u>37,376,366</u>
Auxiliary enterprise sales and charges	
Cafeteria	<u>431,756</u>
Total operating revenues	<u>45,586,411</u>
Operating Expenses	
Salaries	93,366,499
Employee benefits	57,294,276
Supplies, materials, and other operating expenses and services	24,710,355
Equipment, maintenance, and repairs	13,127,662
Student financial aid	35,204,266
Depreciation	<u>20,102,592</u>
Total operating expenses	<u>243,805,650</u>
Operating Loss	<u>(198,219,239)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	64,956,192
Local property taxes, levied for general purposes	34,201,011
Taxes levied for other specific purposes	43,064,951
Federal financial aid grants, noncapital	26,521,256
State financial aid grants, noncapital	4,745,140
State taxes and other revenues	3,973,093
Investment income	6,237,122
Interest expense on capital related debt	(34,230,060)
Investment income on capital asset-related debt	628,660
Transfer from fiduciary funds	376,425
Transfer to fiduciary funds	(772,748)
Other nonoperating revenues	<u>12,720,988</u>
Total nonoperating revenues (expenses)	<u>162,422,030</u>
Loss before other revenues and (losses)	<u>(35,797,209)</u>

San Bernardino Community College District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

Other Revenues and (Losses)	
State revenues, capital	\$ 1,042,050
Local revenues, capital	2,136,600
Loss on disposal of capital assets	<u>(16,146)</u>
Total other revenues and (losses)	<u>3,162,504</u>
Change in Net Position	(32,634,705)
Net Position, Beginning of Year, as restated (see Note 17)	<u>91,427,617</u>
Net Position, End of Year	<u><u>\$ 58,792,912</u></u>

San Bernardino Community College District

Statement of Cash Flows
Year Ended June 30, 2020

Operating Activities	
Tuition and fees	\$ 7,900,675
Federal and State grants and contracts	36,723,855
Payments to or on behalf of employees	(136,323,920)
Payments to vendors for supplies and services	(38,178,160)
Payments to students for scholarships and grants	(35,204,266)
Auxiliary enterprise sales and charges	431,756
	<u>(164,650,060)</u>
Net Cash Flows from Operating Activities	
Noncapital Financing Activities	
State Apportionments	60,453,057
Federal and State Financial Aid Grants	31,266,396
Property Taxes	34,201,011
State Taxes and Other Apportionments	6,029,799
Other Nonoperating payments	6,602,604
	<u>138,552,867</u>
Net Cash Flows from Noncapital Financing Activities	
Capital Financing Activities	
Purchase of Capital Assets	(27,494,804)
State Revenue, Capital Projects	1,042,050
Local Revenue, Capital Projects	2,136,600
Property Taxes - Related to Capital Debt	43,064,951
Proceeds from Capital Debt	443,520,000
Principal Paid on Capital Debt	(151,669,489)
Interest Paid on Capital Debt	(18,799,467)
Interest Received on Capital Asset-Related Debt	628,660
	<u>292,428,501</u>
Net Cash Flows from Capital Financing Activities	
Investing Activities	
Proceeds from sales and maturities of investments	4,722,298
Interest received from investments	5,365,355
	<u>10,087,653</u>
Net Cash Flows from Investing Activities	
Net Change in Cash and Cash Equivalents	
	276,418,961
Cash and Cash Equivalents, Beginning of Year	
	<u>183,397,094</u>
Cash and Cash Equivalents, End of Year	
	<u>\$ 459,816,055</u>

San Bernardino Community College District
Statement of Cash Flows
Year Ended June 30, 2020

Reconciliation of net operating loss to net cash	
Flows from Operating Activities	
Operating Loss	<u>\$ (198,219,239)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	20,102,592
Changes in assets, deferred outflows or resources, liabilities, and deferred inflows of resources	
Accounts receivable	(4,204,300)
Student receivables, net	473,474
Inventories	2,097
Prepaid expenses	(21,124)
Other current assets	(33,534)
Deferred outflows of resources related to OPEB	(1,605,321)
Deferred outflows of resources related to pensions	(330,833)
Accounts payable and accrued liabilities	185,162
Unearned revenue	3,200,701
Compensated absences	846,475
Deferred inflows of resources related to pensions	(3,386,317)
Deferred inflows of resources related to OPEB	2,791,621
Aggregate net OPEB liability	(795,798)
Aggregate net pension liability	<u>16,344,284</u>
Total adjustments	<u>33,569,179</u>
Net Cash Flows from Operating Activities	<u><u>\$ (164,650,060)</u></u>
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	\$ 46,336,488
Cash in county treasury	<u>413,479,567</u>
Total cash and cash equivalents	<u><u>\$ 459,816,055</u></u>
Noncash Transactions	
Amortization of debt premium	\$ 3,338,240
Amortization of deferred charges on refunding	\$ 1,341,636
Accretion of interest on capital appreciation bonds	\$ 10,903,669

San Bernardino Community College District

Fiduciary Funds

Statement of Net Position

June 30, 2020

	Retiree OPEB Trust	PARS Trust	Other Trust Funds	Agency Funds
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 872,097	\$ 304,275
Investments	9,153,438	97,590,156	1,496,822	-
Accounts receivable	-	57,261	10,955	98
Due from PARS Trust	-	-	-	450,000
Due from primary government	-	-	1,389,571	1,192,349
Prepaid expenses	-	-	-	789,650
Due from KVCR FNX	-	-	-	22,738
Total assets	<u>9,153,438</u>	<u>97,647,417</u>	<u>3,769,445</u>	<u>\$ 2,759,110</u>
Liabilities				
Cash overdraft	-	-	408,215	\$ 1,167,119
Accounts payable	-	-	19,644	69,674
Due to agency funds	-	450,000	-	-
Due to primary government	-	2,650,000	1,170,070	1,227,485
Unearned revenue	-	-	114,193	-
Due to student groups	-	-	-	294,832
Total liabilities	<u>-</u>	<u>3,100,000</u>	<u>1,712,122</u>	<u>\$ 2,759,110</u>
Net Position				
Restricted for postemployment benefits other than pensions	9,153,438	-	-	
Restricted for pension benefits	-	94,547,417	-	
Unrestricted	-	-	2,057,323	
Total net position	<u>\$ 9,153,438</u>	<u>\$ 94,547,417</u>	<u>\$ 2,057,323</u>	

San Bernardino Community College District

Fiduciary Funds

Statement of Changes in Net Position

Year Ended June 30, 2020

	Retiree OPEB Trust	PARS Trust	Other Trust Funds
Additions			
State revenues	\$ -	\$ -	\$ 146,602
District contributions	-	11,700,000	-
Local revenues	423,112	5,755,810	1,015,664
Transfers from primary government	-	-	772,748
Total additions	<u>423,112</u>	<u>17,455,810</u>	<u>1,935,014</u>
Deductions			
Classified salaries	-	-	599,764
Employee benefits	-	2,650,000	233,218
Books and supplies	-	-	8,657
Services and operating expenditures	76,755	576,852	453,762
Capital outlay	-	-	61,095
Other uses - student aid	-	-	235,349
Transfers to primary government	-	-	376,425
Total deductions	<u>76,755</u>	<u>3,226,852</u>	<u>1,968,270</u>
Change in Net Position	346,357	14,228,958	(33,256)
Net Position - Beginning of Year	<u>8,807,081</u>	<u>80,318,459</u>	<u>2,090,579</u>
Net Position - End of Year	<u>\$ 9,153,438</u>	<u>\$ 94,547,417</u>	<u>\$ 2,057,323</u>

Note 1 - Organization

San Bernardino Community College District (the District) was established in 1926 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates two colleges, a Professional Development Center, and a television and radio station located within San Bernardino County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Note 2 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The District has adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a “direct benefit”, the “environment and ability to access/influence reporting”, and the “significance” criterion. As defined by accounting principles generally accepted in the United States of America and established by the GASB, the financial reporting entity consists of the primary government, the District. The District has no component units.

The District has analyzed the financial and accountability relationships with the Inland Futures Foundation, the Crafton Hills College Foundation, and the San Bernardino Valley College Foundation (the Foundations) in conjunction with GASB Statement No. 61 criteria. The Foundations are separate, not for profit organizations, and the District does provide and receive direct benefits to and from the Foundations. However, it has been determined that all criteria under GASB Statement No. 61 have not been met to require inclusion of the Foundations’ financial statements in the District’s annual report. Information on the Foundations may be requested through each respective Foundation.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 61. This presentation provides a comprehensive government-wide perspective of the District’s assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting.

The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities through the cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid grants, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State financial aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Position - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District has recorded an allowance for uncollectible accounts as an estimation of amounts that may not be received related to student receivables. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$2,081,977 for the year ended June 30, 2020.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Inventories

Inventories consist primarily of cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the lower of cost or market. The cost is recorded as an expense as the inventory is consumed rather than when purchased.

Capital Assets and Depreciation

Capital assets are stated at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of \$5,000 for furniture and equipment and an estimated useful life of greater than one year. Buildings, renovations to buildings, infrastructure, and land improvements that cost more than \$25,000, significantly increase the value, or extend the useful life of the structure, are capitalized. Routine repair and maintenance costs are charged to operating expenses in the year in which the expense is incurred. Depreciation of equipment and vehicles, facilities, and other physical properties is provided using the straight-line method over the estimated useful lives of the respective assets, or in the case of assets acquired under capital leases, the shorter of the lease term or useful life. Costs for construction in progress are capitalized when incurred.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 40 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements. Noncurrent liabilities include compensated absences, claims payable, bonds payable, aggregate net OPEB liability, and aggregate net pension liability with maturities greater than one year.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charges on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for OPEB and pension related items

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District OPEB Plan and MPP. For this purpose, the District OPEB Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The aggregate net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$60,714,111 of restricted net position, and the fiduciary fund financial statements report \$103,700,855 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in November 2002, February 2008, and November 2018 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

The provisions of this Statement have been implemented as of June 30, 2020, with the exception of Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements and Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The District has already implemented these standards as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100% equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100% equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The effects of this change on the District's financial statements have not yet been determined.

Note 3 - Deposits and Investments

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Remaining Maturity	Percentage of Portfolio	Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, consist of the following:

Primary government	\$ 490,780,715
Fiduciary funds	<u>109,416,788</u>
Total deposits and investments	<u>\$ 600,197,503</u>
Cash on hand and in banks	\$ 46,511,310
Cash in revolving	1,001,550
Cash in County Treasury	414,843,294
Investments	<u>137,841,349</u>
Total deposits and investments	<u>\$ 600,197,503</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Bernardino County Investment pool and various short-term securities evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$414,843,294 with the San Bernardino County Investment Pool with a weighted maturity of 553 days. In addition, the District maintains investments of \$30,964,660 and \$106,876,689 in Short-Term Securities and Mutual Funds, respectively.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Bernardino County Investment pool is rated at AAf/S1 by Fitch Ratings agency. All other investments are not required to be rated, nor have they been rated as of June 30, 2020.

Custodial Credit Risk Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

As of June 30, 2020, the District's bank balance of \$9,834,601 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2020, the District's investment balance of \$136,091,349 was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 4 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

San Bernardino Community College District

Notes to Financial Statements

June 30, 2020

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Reported Amount	Level 1 Inputs
Short-Term Securities	\$ 30,964,660	\$ 30,964,660
Mutual Funds	106,876,689	106,876,689
Total	<u>\$ 137,841,349</u>	<u>\$ 137,841,349</u>

All assets have been valued using a market approach, with quoted market prices.

Note 5 - Accounts Receivable

Accounts receivable at June 30, 2020, consisted of the following:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	\$ 3,611,012	\$ -
State Government		
Apportionment	3,886,262	-
Categorical aid	6,263,206	-
Lottery	905,161	-
Other State sources	162,889	-
Local Sources		
Interest	1,434,359	62,102
Rental income	426,236	-
Bookstore expense reimbursements	772,221	-
Other local sources	6,406,099	6,212
Total	<u>\$ 23,867,445</u>	<u>\$ 68,314</u>
Student receivable	\$ 5,709,850	
Less allowance for bad debt	<u>(2,081,977)</u>	
Student receivable, net	<u>\$ 3,627,873</u>	

Note 6 - Capital Assets

Capital asset activity for the District for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital Assets Not Being Depreciated				
Land	\$ 7,362,045	\$ -	\$ -	\$ 7,362,045
Construction in progress	26,599,168	18,619,246	(27,919,242)	17,299,172
Total capital assets not being depreciated	<u>33,961,213</u>	<u>18,619,246</u>	<u>(27,919,242)</u>	<u>24,661,217</u>
Capital Assets Being Depreciated				
Land improvements	80,856,484	226,865	-	81,083,349
Buildings and improvements	601,929,281	26,150,720	-	628,080,001
Furniture and equipment	34,631,074	1,601,657	(130,006)	36,102,725
Total capital assets being depreciated	<u>717,416,839</u>	<u>27,979,242</u>	<u>(130,006)</u>	<u>745,266,075</u>
Total capital assets	<u>751,378,052</u>	<u>46,598,488</u>	<u>(28,049,248)</u>	<u>769,927,292</u>
Less Accumulated Depreciation				
Land improvements	59,212,727	5,813,500	-	65,026,227
Buildings and improvements	90,128,034	12,135,490	-	102,263,524
Furniture and equipment	24,473,513	2,153,602	(113,860)	26,513,255
Total accumulated depreciation	<u>173,814,274</u>	<u>20,102,592</u>	<u>(113,860)</u>	<u>193,803,006</u>
Net Capital Assets	<u>\$ 577,563,778</u>	<u>\$ 26,495,896</u>	<u>\$ (27,935,388)</u>	<u>\$ 576,124,286</u>

Depreciation expense for the year was \$20,102,592.

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	\$ 3,701,427	\$ 22,105
Education Protection Account	3,470,746	-
Construction	4,043,864	-
State categorical	61,755	-
Other vendor payables	8,389,713	67,213
Total	\$ 19,667,505	\$ 89,318

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	Primary Government	Fiduciary Funds
Federal financial assistance	\$ 10,037	\$ -
State categorical aid	12,337,241	105,837
Enrollment fees	3,945,369	-
Other local	3,548,379	8,356
Total	\$ 19,841,026	\$ 114,193

Note 9 - Interfund Transactions**Interfund Receivables and Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2020, the amount owed to the fiduciary funds from the primary government was \$2,581,920, and the amount owed to primary government from the fiduciary funds was \$5,047,555.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the year ended June 30, 2020, the primary government transferred \$772,748 to the fiduciary funds, and the fiduciary funds transferred \$376,425 to the primary government.

Note 10 - Long-Term liabilities other than OPEB and Pensions**Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the 2020 fiscal year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long Term Liabilities					
General obligation bonds	\$ 555,565,798	\$ 454,423,669	\$ (151,669,489)	\$ 858,319,978	\$ 28,475,000
Premium on general obligation bonds	35,213,069	18,381,130	(3,338,240)	50,255,959	-
Compensated absences	3,544,547	846,475	-	4,391,022	-
Claims liability	3,174,783	-	-	3,174,783	-
Total long-term liabilities	<u>\$ 597,498,197</u>	<u>\$ 473,651,274</u>	<u>\$ (155,007,729)</u>	<u>\$ 916,141,742</u>	<u>\$ 28,475,000</u>

Description of Long-Term Liabilities

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences liability will be paid by the fund for which the employee worked. The claims payable liability will be paid by the Internal Service Fund

Bonded Debt**The San Bernardino Community College District Election of 2002**

General obligation bonds were approved by a local election in November 2002. The total amount approved by the voters was \$190,000,000. Interest rates on the bonds range from 6.02 to 7.63%. As of June 30, 2020, \$189,999,797 had been issued, and \$11,003,531 was outstanding.

The San Bernardino Community College District 2005 Refunding Bonds

In March 2005, the District issued \$56,562,550 in general obligation bonds to advance refund a portion of 2002 Series A and B Bonds. Interest rates on the bonds range from 3.00 to 5.14%. The proceeds were deposited into an escrow account to pay future principal and interest amounts on the refunded bonds. The assets and liabilities for the defeased bonds are not included on the District's financial statements.

As of June 30, 2020, the outstanding balance was \$11,989,605.

The San Bernardino Community College District Election of 2008

General obligation bonds were approved by a local election in November 2008. The total amount approved by the voters was \$500,000,000. Interest rates on the bonds range from 2.00 to 7.63%. As of June 30, 2020, \$500,000,000 had been issued, and \$189,421,842 was outstanding.

The San Bernardino Community College District 2013 Refunding Bonds

In April 2013, the District issued 2013 General Obligation Series A Refunding Bonds and 2013 General Obligation Series B Refunding Bonds to advance refund portions of 2002 Series C, the 2005 General Obligation Refunding Bonds, and the 2008 Series A Bonds. Interest rates on the bonds range from 0.49 to 5.00%. The proceeds from the bonds were deposited into an escrow account to pay future principal and interest amounts on the refunded bonds. The assets and liabilities for the defeased bonds are not included on the District's financial statements. The outstanding balances for the 2013 General Obligation Series A Refunding Bonds and the 2013 General Obligation Series B Refunding Bonds are \$107,135,000 and \$11,710,000, respectively.

The San Bernardino Community College District 2015 Refunding Bonds

In September 2015, the District issued \$55,975,000 in general obligation bonds to advance refund the 2002 Series C and a portion of 2005 Refunding Bonds. Interest rates on the bonds range from 2.00 to 5.00%. The proceeds were deposited into an escrow account to pay future principal and interest amounts on the refunded bonds. The assets and liabilities for the defeased bonds are not included on the District's financial statements. As of June 30, 2020, the outstanding balance was \$37,325,000.

The San Bernardino Community College District 2017 Refunding (Crossover) Series A Bonds

In December 2017, the District issued the 2017 General Obligation Refunding (Crossover) Series A Bonds in the amount of \$14,145,000. The bonds will be redeemed at the Crossover date of August 1, 2024; therefore, the refunding is not considered a current refunding. Interest rates on the bonds range from 4.00 to 5.00%. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cash flow savings of \$3,404,250 and an economic gain of \$2,564,502 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted 2.857%. The net proceeds from the issuance were used to advance refund, on a crossover basis at the crossover date, a portion of the District's outstanding general obligation bonds. As of June 30, 2020, the outstanding balance was \$14,145,000.

The San Bernardino Community College District 2017 Refunding (Crossover) Series B Bonds Series

In December 2017, the District issued the 2017 General Obligation Refunding (Crossover) Series B Bonds in the amount of \$32,070,000. The bonds will be redeemed at the Crossover date of August 1, 2024; therefore, the refunding is not considered a current refunding. Interest rates on the bonds range from 4.00 to 5.00%. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cash flow savings of \$6,344,081 and an economic gain of \$4,415,584 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted 2.857%. The net proceeds from the issuance were used to advance refund, on a crossover basis at the crossover date, a portion of the District's outstanding general obligation bonds. As of June 30, 2020, the outstanding balance was \$32,070,000.

The San Bernardino Community College District Election of 2018

General obligation bonds were approved by a local election in November 2008. The total amount approved by the voters was \$470,000,000. Interest rates on the bonds range from 1.75 to 4.00%. As of June 30, 2020, \$300,000,000 had been issued, and \$300,000,000 was outstanding.

The San Bernardino Community College District 2019 Refunding Bonds

In December 2019, the District issued the 2019 General Obligation Refunding Bonds in the amount of \$143,520,000. Interest rates on the bonds range from 1.75 to 3.12%. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cash flow savings of \$14,057,742 and an economic gain of \$8,991,361 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted 2.529%. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2008 Series D General Obligation bonds, a portion of the 2013 Refunding Series A bonds, and a portion of the 2015 Refunding bonds. As of June 30, 2020, the outstanding balance was \$143,520,000.

San Bernardino Community College District
Notes to Financial Statements
June 30, 2020

Debt Maturity

General Obligation Bonds

Issue Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Additions	Redeemed	Bonds Outstanding June 30, 2020
2002 D	6/9/2009	8/1/2033	6.02%-6.79%	\$ 4,999,797	\$ 10,205,335	\$ 798,196	\$ -	\$ 11,003,531
2002 E	6/9/2009	8/1/2033	7.63%	15,000,000	15,000,000	-	(15,000,000)	-
Refunding 2005	3/22/2005	8/1/2023	3.00%-5.14%	56,562,550	10,670,706	1,318,899	-	11,989,605
2008 B	6/9/2009	8/1/2048	2.60%-7.19%	73,102,389	132,944,275	8,397,546	(1,845,000)	139,496,821
2008 C	6/9/2009	8/1/2044	7.43%-7.63%	45,210,000	45,210,000	-	-	45,210,000
2008 D	9/22/2015	8/1/2030	2.00%-5.00%	37,536,960	36,020,482	389,028	(31,694,489)	4,715,021
Refunding 2013 Series A	4/10/2013	8/1/2030	0.50%-5.00%	198,570,000	189,325,000	-	(82,190,000)	107,135,000
Refunding 2013 Series B	4/10/2013	8/1/2021	0.49%-3.06%	32,460,000	17,780,000	-	(6,070,000)	11,710,000
Refunding 2015	9/22/2015	8/1/2030	2.00%-5.00%	55,975,000	52,195,000	-	(14,870,000)	37,325,000
Refunding 2017 Series A	12/12/2017	8/1/2033	4.00%-5.00%	14,145,000	14,145,000	-	-	14,145,000
Refunding 2017 Series B	12/12/2017	8/1/2034	4.00%-5.00%	32,070,000	32,070,000	-	-	32,070,000
2018 A	12/12/2019	8/1/2049	2.40%-4.00%	200,000,000	-	200,000,000	-	200,000,000
2018 A-1	12/12/2019	8/1/2039	1.75%-4.00	100,000,000	-	100,000,000	-	100,000,000
Refunding 2019	12/12/2019	8/1/2048	1.75%-3.12%	143,520,000	-	143,520,000	-	143,520,000
Subtotal General Obligation Bonds					555,565,798	454,423,669	(151,669,489)	858,319,978
Premium on debt					35,213,069	18,381,130	(3,338,240)	50,255,959
					<u>\$ 590,778,867</u>	<u>\$ 472,804,799</u>	<u>\$(155,007,729)</u>	<u>\$ 908,575,937</u>

The 2002 General Obligation Series D Bonds mature through August 1, 2033, as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Total
2021	\$ -	\$ -	\$ -
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	107,202	32,798	140,000
2026-2030	1,457,246	947,754	2,405,000
2031-2034	9,439,083	16,905,917	26,345,000
Total	<u>\$ 11,003,531</u>	<u>\$ 17,886,469</u>	<u>\$ 28,890,000</u>

San Bernardino Community College District

Notes to Financial Statements

June 30, 2020

The 2005 General Obligation Refunding Bonds mature through August 1, 2023, as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2021	\$ -	\$ -	\$ -
2022	1,372,712	262,288	1,635,000
2023	5,525,913	189,087	5,715,000
2024	5,090,980	2,564,020	7,655,000
Total	<u>\$ 11,989,605</u>	<u>\$ 3,015,395</u>	<u>\$ 15,005,000</u>

The 2008 General Obligation Series B Bonds mature through August 1, 2048, as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ -	\$ -	\$ 2,010,038	\$ 2,010,038
2022	139,517	25,483	2,010,038	2,175,038
2023	257,077	82,923	2,010,038	2,350,038
2024	354,972	170,028	2,010,038	2,535,038
2025	429,272	280,728	2,010,038	2,720,038
2026-2030	2,815,867	3,859,133	10,050,185	16,725,185
2031-2035	32,329,525	1,215,475	8,548,875	42,093,875
2036-2040	39,867,371	97,012,629	-	136,880,000
2041-2045	36,657,558	161,162,442	-	197,820,000
2046-2049	26,645,662	172,874,338	-	199,520,000
Total	<u>\$ 139,496,821</u>	<u>\$ 436,683,179</u>	<u>\$ 28,649,250</u>	<u>\$ 604,829,250</u>

San Bernardino Community College District

Notes to Financial Statements

June 30, 2020

The 2008 General Obligation Series C Bonds mature through August 1, 2044, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ -	\$ 3,387,103	\$ 3,387,103
2022	-	3,387,103	3,387,103
2023	-	3,387,103	3,387,103
2024	-	3,387,103	3,387,103
2025	-	3,387,103	3,387,103
2026-2030	-	16,935,515	16,935,515
2031-2035	-	16,935,515	16,935,515
2036-2040	31,210,000	15,776,064	46,986,064
2041-2045	14,000,000	4,806,900	18,806,900
Total	<u>\$ 45,210,000</u>	<u>\$ 71,389,509</u>	<u>\$ 116,599,509</u>

The 2008 General Obligation Series D Bonds mature through August 1, 2030, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ 59,344	\$ 656	\$ 42,500	\$ 102,500
2022	110,776	4,224	42,500	157,500
2023	261,646	18,354	42,500	322,500
2024	311,066	33,934	42,500	387,500
2025	408,815	11,185	34,125	454,125
2026-2030	2,862,564	882,436	12,875	3,757,875
2031	700,810	399,190	-	1,100,000
Total	<u>\$ 4,715,021</u>	<u>\$ 1,349,979</u>	<u>\$ 217,000</u>	<u>\$ 6,282,000</u>

The 2013 General Obligation Series A Refunding Bonds mature through August 1, 2030, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ 4,890,000	\$ 4,764,150	\$ 9,654,150
2022	5,765,000	4,497,775	10,262,775
2023	6,625,000	4,188,025	10,813,025
2024	7,640,000	3,831,400	11,471,400
2025	16,665,000	3,223,775	19,888,775
2026-2030	51,150,000	7,206,375	58,356,375
2031	14,400,000	288,000	14,688,000
Total	<u>\$ 107,135,000</u>	<u>\$ 27,999,500</u>	<u>\$ 135,134,500</u>

San Bernardino Community College District

Notes to Financial Statements

June 30, 2020

The 2013 General Obligation Series B Refunding Bonds mature through August 1, 2021, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ 6,460,000	\$ 249,213	\$ 6,709,213
2022	5,250,000	80,194	5,330,194
Total	\$ 11,710,000	\$ 329,407	\$ 12,039,407

The 2015 General Obligation Series B Refunding Bonds mature through August 1, 2030, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ -	2,238,000	\$ 2,238,000
2022	-	2,238,000	2,238,000
2023	-	2,238,000	2,238,000
2024	-	2,238,000	2,238,000
2025	-	2,238,000	2,238,000
2026-2030	23,720,000	8,173,000	31,893,000
2031	13,605,000	340,125	13,945,125
Total	\$ 37,325,000	\$ 19,703,125	\$ 57,028,125

The 2017 General Obligation Series A Refunding (Crossover) Bonds mature through August 1, 2033, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ -	\$ 583,550	\$ 583,550
2022	-	583,550	583,550
2023	-	583,550	583,550
2024	-	583,550	583,550
2025	-	583,550	583,550
2026-2030	-	2,917,750	2,917,750
2031-2034	14,145,000	1,740,075	15,885,075
Total	\$ 14,145,000	\$ 7,575,575	\$ 21,720,575

San Bernardino Community College District

Notes to Financial Statements

June 30, 2020

The 2017 General Obligation Series B Refunding (Crossover) Bonds mature through August 1, 2034, as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ -	\$ 1,355,700	\$ 1,355,700
2022	-	1,355,700	1,355,700
2023	-	1,355,700	1,355,700
2024	-	1,355,700	1,355,700
2025	-	1,355,700	1,355,700
2026-2030	1,220,000	6,631,000	7,851,000
2031-2035	30,850,000	5,411,150	36,261,150
Total	\$ 32,070,000	\$ 18,820,650	\$ 50,890,650

The 2018 General Obligation Series A Bonds mature through August 1, 2049, as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 8,335,000	\$ 7,559,225	\$ 15,894,225
2022	8,800,000	7,258,200	16,058,200
2023	4,690,000	6,988,400	11,678,400
2024	-	6,894,600	6,894,600
2025	-	6,894,600	6,894,600
2026-2030	-	34,473,000	34,473,000
2031-2035	465,000	34,463,700	34,928,700
2036-2040	7,525,000	33,777,300	41,302,300
2041-2045	66,900,000	27,588,800	94,488,800
2046-2050	103,285,000	11,008,700	114,293,700
Total	\$ 200,000,000	\$ 176,906,525	\$ 376,906,525

San Bernardino Community College District

Notes to Financial Statements

June 30, 2020

The 2018 General Obligation Series A-1 Bonds mature through August 1, 2039, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ 5,750,000	\$ 2,731,758	\$ 8,481,758
2022	5,270,000	2,633,268	7,903,268
2023	3,635,000	2,550,981	6,185,981
2024	3,705,000	2,480,375	6,185,375
2025	3,775,000	2,405,410	6,180,410
2026-2030	20,280,000	10,544,689	30,824,689
2031-2035	23,790,000	7,372,057	31,162,057
2036-2040	33,795,000	2,928,444	36,723,444
Total	<u>\$ 100,000,000</u>	<u>\$ 33,646,982</u>	<u>\$ 133,646,982</u>

The 2019 General Obligation Refunding Bonds mature through August 1, 2048, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ 2,980,000	\$ 3,903,525	\$ 6,883,525
2022	1,225,000	3,866,218	5,091,218
2023	1,270,000	3,843,089	5,113,089
2024	1,315,000	3,818,219	5,133,219
2025	1,360,000	3,791,406	5,151,406
2026-2030	42,690,000	16,324,451	59,014,451
2031-2035	65,435,000	8,327,790	73,762,790
2036-2040	6,415,000	3,766,919	10,181,919
2041-2045	9,810,000	2,534,252	12,344,252
2046-2049	11,020,000	719,080	11,739,080
Total	<u>\$ 143,520,000</u>	<u>\$ 50,894,949</u>	<u>\$ 194,414,949</u>

Compensated Absences

At June 30, 2020, the liability for compensated absences was \$4,391,022.

Note 11 - Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Aggregate Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 829,269	\$ 1,892,609	\$ 2,796,273	\$ 362,856
Medicare Premium Payment (MPP) Program	486,224	-	-	27,646
Total	<u>\$ 1,315,493</u>	<u>\$ 1,892,609</u>	<u>\$ 2,796,273</u>	<u>\$ 390,502</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the Plan is vested in District management. Management of the trust assets is vested with the Benefits Trust Company.

Plan Membership

At June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	39
Active employees	<u>681</u>
	<u>720</u>

San Bernardino Community College District Futuris Trust

The District’s Futuris Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the San Bernardino Community College District Retirement Board as directed by the investment alternative choice selected by the Board. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee’s primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Benefits Provided

The Plan provides medical insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District’s governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the California Teacher’s Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, CTA, CSEA, and the unrepresented groups. For fiscal year ended June 30, 2019, the District contributed \$287,288 to the Plan, which was used for current premiums.

Investment Policy

The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board’s adopted asset allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	55%
Real Estate Investment Trusts	4%
U.S. Equities	22%
International Equities	19%

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 5.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of \$829,269 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	\$ 9,636,350
Plan fiduciary net position	<u>8,807,081</u>
District's net OPEB liability	<u>\$ 829,269</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>-91.39%</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	5.85 percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	4.00 percent

The discount rate was based on the assumed long-term expected rate of return on plan assets plus the long term inflation assumption.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study as of October 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	4.5%
Real Estate Investment Trusts	7.5%
U.S. Equities	7.5%
International Equities	7.5%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	\$ 10,103,001	\$ 8,450,288	\$ 1,652,713
Service cost	693,805	-	693,805
Interest	611,659	-	611,659
Differences between expected and actual experience	(3,016,752)	-	(3,016,752)
Differences between projected and actual earnings on plan investments	-	(74,185)	74,185
Changes of assumptions or other inputs	1,531,925	-	1,531,925
Contributions - employer	-	287,288	(287,288)
Net investment income	-	504,803	(504,803)
Administrative expense	-	(73,825)	73,825
Benefit payments	(287,288)	(287,288)	-
Net change in total OPEB liability	<u>(466,651)</u>	<u>356,793</u>	<u>(823,444)</u>
Balance at June 30, 2019	<u>\$ 9,636,350</u>	<u>\$ 8,807,081</u>	<u>\$ 829,269</u>

Changes of assumptions or other inputs reflects a change in the discount rate from 6.00% in 2018 to 5.85% in 2019. There were no changed in benefit terms since the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the current discount rate, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (4.85%)	\$ 1,455,946
Current discount rate (5.85%)	829,269
1% increase (6.85%)	252,109

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percent lower or higher than the current health care costs trend rates:

<u>Health Care Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.00%)	\$ 310,731
Current health care cost trend rate (4.00%)	829,269
1% increase (5.00%)	1,339,705

Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 415,659	\$ -
Differences between expected and actual experience	-	2,791,621
Changes of assumptions	1,417,602	-
Net difference between projected and actual earnings on OPEB plan investments	59,348	4,652
Total	<u>\$ 1,892,609</u>	<u>\$ 2,796,273</u>

For the year ended June 30, 2020 the District recognized OPEB expense of \$362,856. At June 30, 2020, the District reported deferred outflows of resources for OPEB contributions subsequent to the measurement date of \$415,659.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ (97,522)
2022	(97,522)
2023	(97,521)
2024	(95,971)
2025	(110,808)
Thereafter	<u>(819,979)</u>
	<u>\$ (1,319,323)</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California Education Code Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of \$486,224 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, was 0.1306% and 0.1198%, respectively, resulting in a net increase in the proportionate share of 0.0108%.

For the year ended June 30, 2020, the District recognized OPEB expense of \$27,646.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2019
Valuation Date	June 30, 2018	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23% of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37% from 3.87% as of June 30, 2018.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	\$ 530,581
Current discount rate (3.50%)	486,224
1% increase (4.50%)	445,439

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District’s proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using a Medicare costs trend rate that is one percent lower or higher than the current rate:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 455,737
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	486,224
1% increase (4.7% Part A and 5.1% Part B)	547,120

Note 12 - Risk Management**Property and Liability Insurance Coverages**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ended June 30, 2020, the District contracted with the Statewide Association for Excess Risks (SAFER) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2019-2020, the District participated in the Schools Alliance for Workers' Compensation Excess (SAWCX II) Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first \$500,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Insurance Program/Company Name	Type of Coverage	Limits
Schools Alliance for Worker's Compensation Excess (SAWCX II)	Excess Workers' Compensation	\$ 50,500,000
Schools Association for Excess Risk (SAFER)	Property	250,000,000
Schools Association for Excess Risk (SAFER)	Liability	25,000,000

Claims Liability

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate liabilities for the District from July 1, 2018 to June 30, 2020:

	<u>Workers' Compensation</u>
Liability Balance, July 1, 2018	\$ 3,174,783
Claims and changes in estimates	168,017
Claims payments	<u>(168,017)</u>
Liability Balance, June 30, 2019	3,174,783
Claims and changes in estimates	1,736,299
Claims payments	<u>(1,736,299)</u>
Liability Balance, June 30, 2020	<u>\$ 3,174,783</u>
Assets Available to Pay Claims at June 30, 2020	<u>\$ 7,648,425</u>

Note 13 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of California State Teachers' Retirement System (CalSTRS) and classified employees are members of California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2020, the District reported its proportionate share of the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Aggregate Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 66,659,738	\$ 25,961,900	\$ 8,380,590	\$ 9,871,978
CalPERS	<u>71,082,778</u>	<u>24,421,797</u>	<u>659,306</u>	<u>14,297,692</u>
Total	<u>\$ 137,742,516</u>	<u>\$ 50,383,697</u>	<u>\$ 9,039,896</u>	<u>\$ 24,169,670</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were \$7,776,203.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 66,659,738
State's proportionate share of net pension liability associated with the District	<u>36,367,337</u>
Total	<u><u>\$ 103,027,075</u></u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0738% and 0.0667%, respectively, resulting in a net increase in the proportionate share of 0.0071%.

San Bernardino Community College District

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$9,871,978. In addition, the District recognized pension expense and revenue of \$5,415,881 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,776,203	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	9,586,417	3,934,444
Difference between projected and actual earnings on pension plan investments	-	2,567,753
Difference between expected and actual experience in the measurement of the total pension liability	168,280	1,878,393
Changes of assumptions	8,431,000	-
Total	\$ 25,961,900	\$ 8,380,590

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (259,001)
2022	(2,038,493)
2023	(423,223)
2024	152,964
Total	\$ (2,567,753)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District’s proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 3,421,288
2022	3,421,289
2023	1,497,207
2024	2,648,542
2025	714,229
Thereafter	<u>670,305</u>
Total	<u>\$ 12,372,860</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation sensitive	4%	3.30%
Cash/liquidity	2%	-0.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 99,261,868
Current discount rate (7.10%)	66,659,738
1% increase (8.10%)	39,626,364

California Public Employees' Retirement System (CalPERS)**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the total District contributions were \$7,195,887.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$71,082,778. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.2439% and 0.2252%, respectively, resulting in a net increase in the proportionate share of 0.0187%.

For the year ended June 30, 2020, the District recognized pension expense of \$14,297,692. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 7,195,887	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	8,678,686	-
Difference between projected and actual earnings on pension plan investments	-	659,306
Difference between expected and actual experience in the measurement of the total pension liability	5,163,463	-
Changes of assumptions	<u>3,383,761</u>	<u>-</u>
Total	<u>\$ 24,421,797</u>	<u>\$ 659,306</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 650,808
2022	(1,299,968)
2023	(196,994)
2024	<u>186,848</u>
Total	<u>\$ (659,306)</u>

The deferred outflows of resources related to the change in proportionate and differences between contributions made and District's proportionate share of contributions, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2021	\$ 11,322,687
2022	3,849,033
2023	1,867,447
2024	<u>186,743</u>
Total	<u>\$ 17,225,910</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of Scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 102,461,150
Current discount rate (7.15%)	71,082,778
1% increase (8.15%)	45,052,250

CalSTRS/CalPERS Irrevocable Trust

During the 2017-2018 fiscal year, the District established an IRS Section 115 irrevocable trust through Public Agency Retirement Services (PARS) for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. Funds deposited into this trust are not considered “plan assets” for GASB Statement No. 68 reporting; therefore, the balance of the irrevocable trust is not netted against the net pension liability shown on the Statement of Net Position. The balance and activity of the trust is recorded as a fiduciary fund of the District. As of June 30, 2020, the balance of the trust was \$108,842,954.

Accumulation Program for Part-Time and Limited-Service Employees (APPLE) Plan

Plan Description

The District contributes to the Accumulation Program for Part-Time and Limited-Service Employees (APPLE) plan. All employees who do not participate in another retirement plan provided by the District are eligible to participate in the APPLE plan, a multi-employer defined-contribution retirement program.

The District’s contributions for employees covered by the APPLE plan year ended June 30, 2020, was \$85,601.

Participants become 100% vested in the Employer Contribution Account at normal retirement age, total disability, or death. Participants are 100% vested in the Employee Contribution Account at all times.

On Behalf Payments

The State of California makes contributions to CalSTRS - on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2020, which amounted to \$3,798,684 (10.328%) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2020. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements.

Note 14 - Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of several JPAs. The relationship between the District and the JPAs is such that they are not considered component units of the District for financial reporting purposes. The following is summary of these arrangements:

Schools Association for Excess Risk (SAFER)

SAFER's excess property and liability insurance program was established in 2002 to meet the needs of California K-12 schools and community college districts. The program provides their members with comprehensive coverage and competitive rates. SAFER's membership consists of one individual member district and three joint powers authority members, which represent 517 school and college districts. A board comprised of two representatives from each member with an average daily attendance (ADA) of over 100,000, or one representative for ADAs with less than 100,000, governs SAFER. Each member is allowed votes based on a weighted system based on ADA.

Statewide Association of Community Colleges (SWACC)

SWACC arranges for and provides the broadest possible property and liability protection available to school districts. SWACC's membership consists of 46 community college districts and two joint powers authority members. A board comprised of one representative from each member governs SWACC. Each member is allowed votes based on a weighted system based on ADA. The board controls the operations of SWACC and elects officers from its members.

Schools Alliance for Workers' Compensation Excess II Self Joint Powers Authority (SAWCX II)

SAWCX II arranges for and provides services necessary for members to establish, operate, and maintain a joint program of workers' compensation protection. SAWCX II membership consists of various educational districts and JPAs statewide. A board comprised of one representative from each member governs SAWCX II.

California Community College Financing Authority (CCCFA)

CCCFA provides short-term financing for members. A board of 16 elected voting members, elected alternates, and two ex-officio members governs CCCFA. Membership consists of community college districts throughout California. A board comprised of one representative from each member governs CCCFA.

San Bernardino Regional Emergency Training Center (SBRETC)

SBRETC was formed to establish a live-fire aircraft, rescue, and fire-fighting training facility in Southern California.

Membership consists of the San Bernardino County Consolidated Fire District, the City of San Bernardino, and the San Bernardino Community College District. The governing board is comprised of representatives from each member agency.

Note 15 - Lease Revenue

The District has property held for lease. Lease agreements have been entered into with various lessors for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2021	\$ 4,390,525
2022	4,087,169
2023	2,750,513
2024	2,585,835
2025	2,500,781
Thereafter	7,958,173
Total	\$ 24,272,996

Note 16 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

Operating Leases

The District leases building space for their District office and other uses. The District also leases equipment for general use. Payout amounts vary by lease agreement.

Year Ending June 30,	Lease Payment
2021	\$ 1,149,471
2022	1,149,471
2023	1,149,471
2024	1,149,471
2025	1,149,471
Thereafter	4,463,678
Total	\$ 10,211,033

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Estimated Date of Completion</u>
KVCR Technology Core Modernization Project	\$ 802,122	11/15/20
KVCR Tower Project	224,224	12/01/20
KVCR UHF to VHF Transition Project	163,995	12/01/20
PMT Office Improvements	281,085	12/31/20
KVCR Exterior Signage	131,984	01/31/21
CHC Infrastructure 1	11,066,927	06/15/21
CHC Central Complex 2 Renovation	16,040,414	09/25/23
SBVC Technical Education Bldg	96,434,808	12/21/23
SBVC Infrastructure 1	30,431,987	10/31/24
SBVC Instructional and Students Services Bldg	97,951,150	04/01/25
	<u>\$ 253,528,696</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

Note 17 - Restatement of Prior Year Net Position

The District's beginning net position has been restated as of July 1, 2019.

The District restated the beginning net position as of July 1, 2019 to correct a misstatement in the FCC Auction Proceeds Fund due to invoices paid by the District recorded twice as both an expense and a capital asset addition.

<u>Primary Government</u>	
Net Position - Beginning	\$ 89,379,600
Restatement of the District's net position due to correction of material misstatement in the previously issued financial statements	<u>2,048,017</u>
Net Position - Beginning, as Restated	<u>\$ 91,427,617</u>

Note 18 - Subsequent Events

Subsequent to year end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

In July 2020, the District issued \$129,400,000 of 2020 General Obligation Refunding Bonds. The Bonds mature on August 1, 2030, and yield 0.50% – 1.90% interest. The Bonds were sold to advance refund a portion of the District's outstanding 2008 General Obligation Bonds Series D, advance refund a portion of the District's outstanding 2013 General Obligation Refunding Bonds Series A, advance refund a portion of the District's outstanding 2015 General Obligation Refunding Bonds, and pay the costs of issuing the Bonds.

San Bernardino Community College District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 693,805	\$ 666,828	\$ 624,455
Interest	611,659	424,414	519,126
Differences between expected and actual experience	(3,016,752)	-	-
Changes of assumptions	1,531,925	-	-
Benefit payments	<u>(287,288)</u>	<u>(287,288)</u>	<u>(386,897)</u>
Net changes in total OPEB liability	(466,651)	803,954	756,684
Total OPEB Liability - beginning	<u>10,103,001</u>	<u>9,299,047</u>	<u>8,542,363</u>
Total OPEB Liability - ending (a)	<u><u>\$ 9,636,350</u></u>	<u><u>\$ 10,103,001</u></u>	<u><u>\$ 9,299,047</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 287,288	\$ 436,390	\$ 386,897
Net investment income	504,803	479,953	749,118
Differences between projected and actual earnings on plan investments	(74,185)	7,754	-
Benefit payments	(287,288)	(436,390)	(386,897)
Administrative expense	<u>(73,825)</u>	<u>(73,272)</u>	<u>(68,535)</u>
Net change in plan fiduciary net position	356,793	414,435	680,583
Plan fiduciary net position - beginning	<u>8,450,288</u>	<u>8,035,853</u>	<u>7,355,270</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 8,807,081</u></u>	<u><u>\$ 8,450,288</u></u>	<u><u>\$ 8,035,853</u></u>
District's net OPEB liability - ending (a) - (b)	<u><u>\$ 829,269</u></u>	<u><u>\$ 1,652,713</u></u>	<u><u>\$ 1,263,194</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>91.39%</u>	<u>83.64%</u>	<u>86.42%</u>
Covered-employee payroll	<u>\$ 76,221,687</u>	<u>\$ 67,303,034</u>	<u>\$ 62,292,241</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>1.09%</u>	<u>2.46%</u>	<u>2.03%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

Note : In the future, as data becomes available, ten years of information will be presented.

San Bernardino Community College District
Schedule of OPEB Investment Returns
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	<u>5.12%</u>	<u>4.22%</u>	<u>9.90%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

San Bernardino Community College District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2020

Year ended June 30,	2020	2019	2018
District's proportion of the net OPEB liability	0.1306%	0.1198%	0.1200%
District's proportionate share of the net OPEB liability	\$ 486,224	\$ 458,578	\$ 504,754
District's covered payroll	N/A ¹	N/A ¹	N/A ¹
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

San Bernardino Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
District's proportion of the net pension liability	0.0738%	0.0667%	0.0663%	0.0682%	0.0779%	0.0581%
District's proportionate share of the net pension liability	\$ 66,659,738	\$ 61,345,890	\$ 61,286,649	\$ 55,196,567	\$ 52,472,482	\$ 33,957,179
State's proportionate share of the net pension liability associated with the District	36,367,337	35,123,391	36,256,664	31,422,421	27,752,159	20,504,811
Total	<u>\$ 103,027,075</u>	<u>\$ 96,469,281</u>	<u>\$ 97,543,313</u>	<u>\$ 86,618,988</u>	<u>\$ 80,224,641</u>	<u>\$ 54,461,990</u>
District's covered payroll	<u>\$ 41,214,318</u>	<u>\$ 37,332,356</u>	<u>\$ 35,577,170</u>	<u>\$ 34,885,918</u>	<u>\$ 33,717,601</u>	<u>\$ 30,941,662</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	161.74%	164.32%	172.26%	158.22%	155.62%	109.75%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
District's proportion of the net pension liability	0.2439%	0.2252%	0.2131%	0.2204%	0.1032%	0.1033%
District's proportionate share of the net pension liability	\$ 71,082,778	\$ 60,052,342	\$ 50,863,523	\$ 21,155,192	\$ 32,474,152	\$ 23,974,911
District's covered payroll	35,007,369	29,970,678	26,715,071	27,478,113	24,617,297	21,652,411
District's proportionate share of the net pension liability as a percentage of its covered payroll	203.05%	200.37%	190.39%	76.99%	131.92%	110.73%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data becomes available, ten years of information will be presented.

San Bernardino Community College District
Schedule of the District Contributions
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	\$ 7,776,203	\$ 6,709,691	\$ 5,387,059	\$ 4,475,608	\$ 3,743,259	\$ 2,994,123
Contributions in relation to the contractually required contribution	(7,776,203)	(6,709,691)	(5,387,059)	(4,475,608)	(3,743,259)	(2,994,123)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 45,474,871	\$ 41,214,318	\$ 37,332,356	\$ 35,577,170	\$ 34,885,918	\$ 33,717,601
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	\$ 7,195,887	\$ 6,323,031	\$ 4,654,746	\$ 3,710,189	\$ 3,255,332	\$ 2,897,702
Contributions in relation to the contractually required contribution	(7,195,887)	(6,323,031)	(4,654,746)	(3,710,189)	(3,255,332)	(2,897,702)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 36,488,449	\$ 35,007,369	\$ 29,970,678	\$ 26,715,071	\$ 27,478,113	\$ 24,617,297
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

Note : In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuation.

Changes of Assumptions – The discount rate assumption was changed from 6.00% to 5.85% since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.87% to 3.50% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - There were no changes in economic assumptions since the previous valuations for both CalSTRS or CalPERS.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

San Bernardino Community College District was established in 1926 and is located in San Bernardino County. There were no changes in the boundaries of the District during the current year. The District’s colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Anne Viricel	Chair	2020
Dr. Stephanie Houston	Vice Chair	2022
Gloria Macias Harrison	Clerk	2020
John Longville	Trustee	2020
Frank Reyes	Trustee	2020
Dr. Donald L. Singer	Trustee	2022
Joseph Williams	Trustee	2022
Elijah Gerard	Student Trustee, CHC	2020
Maritza Mariscal-Medina	Student Trustee, SBVC	2020

ADMINISTRATION

Jose F. Torres, MPA.	Interim Chancellor
Diana Rodriguez, M.Ed.	President - San Bernardino Valley College
Dr. Kevin Horan, Ed.D.	President - Crafton Hills College

AUXILIARY ORGANIZATIONS IN GOOD STANDING

San Bernardino Valley College Foundation, established 1973
 Master Agreement signed 2019
 Michael Layne, Interim Director

Crafton Hills College Foundation, established 1987
 Master Agreement signed 2019
 Michelle Riggs, Director, Institutional Advancement

Inland Futures Foundation, established 2013
 Master Agreement signed 2019
 Jessica Alexander, Board Chair

San Bernardino Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 22,085,162
Federal Pell Grant Program Administrative Allowance	84.063		32,375
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		659,794
FSEOG Administrative Allowance	84.007		37,109
Federal Work-Study Program	84.033		370,191
Federal Work-Study Program Administrative Allowance	84.033		<u>18,221</u>
Subtotal Student Financial Assistance Cluster			<u>23,202,852</u>
COVID 19: CARES Act Higher Education Emergency Relief Fund (HEERF)			
Student Aid Portion	84.425E		3,776,300
COVID 19: CARES Act Higher Education Emergency Relief Fund (HEERF) Institutional Portion	84.425F		<u>1,257,558</u>
Subtotal			<u>5,033,858</u>
TRIO Cluster			
TRIO - Student Support Services	84.042A		<u>388,498</u>
Subtotal TRIO Cluster			<u>388,498</u>
Passed through from the California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048	19-C01-046	488,386
Title I, CTEA Transitions	84.048A	19-C01-046	<u>33,135</u>
Subtotal			<u>521,521</u>
Passed through the State of California Department of Rehabilitation			
Workability III Program	84.126A	30985	<u>135,483</u>
Total U.S. Department of Education			<u>29,282,212</u>
U.S. Department of Veterans Affairs			
Veterans Services	64.117		<u>3,398</u>
U.S. Department of Agriculture			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	04375-CACFP- 36-CC-CS	<u>160,452</u>

San Bernardino Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
National Science Foundation			
Research and Development Cluster			
Passed through California State University of San Bernardino (CSUSB)			
Title V - Developing Hispanic Serving Institutions: Improving Student Success in Digital Media Disciplines	47.076	[1]	\$ 79,008
Passed through University Enterprises Corporation at CSUSB			
Pre and Post Transfer Success in STEM at Hispanic Serving Institutions	47.076	1644261	<u>75,278</u>
Subtotal Research and Development Cluster			<u>154,286</u>
Total National Science Foundation			<u>154,286</u>
U.S. Department of Health and Human Services			
Passed through from the California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	75,243
Passed through from California Department of Social Services (CDSS)			
San Bernardino County TANF program	93.558	[1]	<u>4,503</u>
Subtotal			<u>79,746</u>
Passed through from the California Community Colleges Chancellor's Office			
Foster and Kinship Care Education Program	93.658	[1]	58,468
Child Care and Development Fund (CCDF) Cluster			
Passed through the California Department of Education			
Child Care and Development Block Grant	93.575	15136	73,239
Child Development Division Consortium	93.596	[1]	20,150
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	<u>159,323</u>
Subtotal CCDF Cluster			<u>252,712</u>
Total U.S. Department of Health and Human Services			<u>390,926</u>
U.S. Department of Commerce			
Passed through California Manufacturers and Technology Consulting			
Manufacturing Extension Partnership	11.611	70NANB15H196	<u>567,064</u>
Total U.S. Department of Commerce			<u>567,064</u>
Total Expenditures of Federal Awards			<u>\$ 30,558,338</u>

[1] Pass-Through Identifying Number not available.

San Bernardino Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2020

Program	Program Entitlements			Program Revenues					Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	
Prop 30 -EPA	\$ 11,517,927	\$ -	\$ 11,517,927	\$ 11,517,927	\$ -	\$ -	\$ 3,470,746	\$ 8,047,181	\$ 8,047,181
AB104 ADULT ED BLOCK GRANT	1,137,648	1,085,507	2,223,155	2,223,155	-	1,121,903	-	1,101,252	1,101,252
SFAA-BFAP ADM ALLOWANCE	769,732	-	769,732	769,732	-	-	-	769,732	769,732
HUNGER FREE CAMPUS SUPPORT	53,768	135,040	188,808	188,809	-	152,667	-	36,142	36,142
ZERO TEXTBOOK COST DEGREE	-	2,000	2,000	-	161	-	-	161	161
MESA GRANT	74,515	-	74,515	-	59,985	-	-	59,985	59,985
ENROLLMENT GROWTH/NURSING PGM	171,697	-	171,697	182,066	-	-	61,755	120,311	120,311
AB798 TEXTBOOK AFFORDABILITY	-	25,925	25,925	25,435	-	25,435	-	-	-
DREAMER STUDENTS	-	37,590	37,590	37,590	-	37,590	-	-	-
VETERANS RESOURCE CENTER	149,348	132,712	282,060	282,061	-	217,528	-	64,533	64,533
FINANCIAL AID TECHNOLOGY	73,986	241,297	315,283	315,282	-	195,046	-	120,236	120,236
CERTIFIED NURSE ASSISTANT PROGRAM	117,500	-	117,500	117,500	-	117,500	-	-	-
EOPS-CARE PROGRAM	233,096	-	233,096	233,096	-	22,644	-	210,452	210,452
EOPS	1,603,867	-	1,603,867	1,603,867	-	36,433	-	1,567,434	1,567,434
HANDICAPPED STUDENT PROGRAMS	1,240,472	-	1,240,472	1,240,472	-	32,486	-	1,207,986	1,207,986
CHILD DEVELOPMENT	678,971	-	678,971	359,743	319,228	-	-	678,971	678,971
STATE PRESCHOOL GRANT	1,925,753	-	1,925,753	1,580,811	344,942	-	-	1,925,753	1,925,753
CHILD CARE FOOD PROGRAM	8,742	-	-	7,634	1,108	-	-	-	8,742
FOSTER PARENTS	90,312	-	90,312	90,312	-	-	-	90,312	90,312
YOUTH EMPOWERMENT STR	22,500	-	22,500	12,515	9,981	-	-	22,496	22,496
STUDENT EQUITY GRANT	1,340,863	919,695	2,260,558	2,367,858	-	529,586	-	1,838,272	1,838,272
TELECOMMUNICATIONS TECHNOLOGY	-	5,641	5,641	5,641	-	5,641	-	-	-
BASIC SKILLS	466,029	542,369	1,008,398	1,008,397	-	724,371	-	284,026	284,026
INSTRUCTIONAL EQUIPMENT ALLOCATION	-	96,005	96,005	96,005	-	96,005	-	-	-
BLOCK GRANT FY-98	188,347	-	188,347	188,347	-	9,398	-	178,949	178,949
STUDENT SUCCESS & SUPPORT PROGRAM	3,488,409	1,003,330	4,491,739	4,470,673	-	1,249,577	-	3,221,096	3,221,096
3C MEDIA SOLUTIONS	2,203	3,572	5,775	5,775	-	5,775	-	-	-
PROP 39 CLEAN ENERGY FUNDING	-	50,301	50,301	50,301	-	48,251	-	2,050	2,050
ALTERNATE TEXT PRODUCTION CENTER	1,700,000	-	1,700,000	-	1,596,919	-	-	1,596,919	1,596,919
EDUCATIONAL PLANNING INITIATIVE	-	70,097	70,097	70,097	-	70,097	-	-	-
TRANSITIONAL ASSISTANCE	76,275	-	76,275	4,082	66,092	-	-	70,174	70,174
CALWORKS	905,576	-	905,576	905,576	-	67,311	-	838,265	838,265
PROP 39 REGION F COLLEGES/SBVC	-	428	428	428	-	428	-	-	-
ECONOMIC DEVT FOR DISTRESSED AREAS	1,000,000	-	1,000,000	2,000,000	-	1,855,837	-	144,163	144,163

San Bernardino Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2020

Program	Program Entitlements			Program Revenues					Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	
EQUAL EMPLOYMENT OPPORTUNITY	\$ 50,000	\$ 71,777	\$ 121,777	\$ 121,777	\$ -	\$ 41,525	\$ -	\$ 80,252	\$ 80,252
MENTAL HEALTH SUPPORT	103,326	-	103,326	103,326	-	7,835	-	95,491	95,491
SWP IE CYBERHUB CENTERS/RCC	137,300	15,963	153,263	15,964	38,926	-	-	54,890	54,890
GUIDED PATHWAYS	497,676	968,806	1,466,482	1,466,482	-	1,237,699	-	228,783	228,783
CAMPUS SAFETY & SEXUAL ASSAULT	-	36,549	36,549	36,549	-	36,549	-	-	-
RIVERSIDE COUNTY REGIONAL TRAINING	-	181	181	181	-	181	-	-	-
STRONG WORKFORCE PROGRAM	2,670,720	1,668,693	4,339,413	861,004	-	89,601	-	771,403	771,403
REGIONAL SHARES/STRONG WORKFORCE	2,334,444	1,386,259	3,720,703	584,899	307,424	-	-	892,323	892,323
MIDDLE COLLEGE HIGH SCHOOL	100,000	-	100,000	-	73,048	-	-	73,048	73,048
ICT/DIGITAL MEDIA-1070AB	200,000	64,628	264,628	224,628	-	21,440	-	203,188	203,188
CALTRANS - PAROLEE WORKCREW 7/16	3,091,872	-	3,091,872	640,165	689,948	-	-	1,330,113	1,330,113
CTE DATA UNLOCKED INITIATIVE	-	47,475	47,475	47,475	-	45,541	-	1,934	1,934
INNOVATION & EFFECTIVENESS GRANT	-	48,778	48,778	48,778	-	-	-	48,778	-
SWP/P17 CLOUD BASED NETLAB	384,055	173,723	557,778	162,127	221,090	-	-	383,217	383,217
SWP - EMP/SKILLS CREATE PATHWAYS	72,136	25,666	97,802	19,094	61,924	-	-	81,018	81,018
ETP #7	-	1,200,548	1,200,548	-	416,051	-	-	416,051	416,051
VETERANS RESOURCE CENTER	-	276,819	276,819	79,470	40,756	79,470	-	40,756	40,756
STAFF DEVELOPMENT	-	248	248	248	-	248	-	-	-
CLASSIFIED PROFESSIONAL DEVELOPMENT	80,279	-	80,279	80,279	-	80,279	-	-	-
IMPROVING ONLINE CTE PATHWAYS	482,180	-	482,180	4,126	53,343	-	-	57,469	57,469
CALIFORNIA SPACE GRANT	500	-	500	500	-	500	-	-	-
CALIFORNIA COLLEGE PROMISE	1,102,784	-	1,102,784	1,102,784	-	1,102,784	-	-	-
STUDENT EQUITY & ACHIEVEMENT	2,234,990	-	2,234,990	2,234,990	-	656,032	-	1,578,958	1,578,958
SWP-POSITIVE INCENTIVE FUNDING	288,109	-	288,109	288,109	-	266,473	-	21,636	21,636
SWP BIW CURRICULUM ALIGNMENT	25,790	-	25,790	-	18,000	-	-	18,000	18,000
STRONG WORKFORCE-REG MARKETING	50,000	-	50,000	-	50,000	-	-	50,000	50,000
PRISON TO EMPLOYMENT INITIATIVE	343,980	-	343,980	-	50,000	-	-	50,000	50,000
COVID 19 RESPONSE BLK GRT-STATE	917,438	-	917,438	-	1,190	-	-	1,190	1,190
LOCAL SHARES/SWP ROUND 3	699,533	-	699,533	1,668,693	-	969,160	-	699,533	699,533
LOCAL SHARES/SWP ROUND 4	777,751	-	777,751	1,906,386	-	1,128,635	-	777,751	777,751
REGIONAL SHARES/SWP ROUND 3	514,768	-	514,768	31,153	513,402	57,617	-	486,938	486,938
REGIONAL SHARES/SWP ROUND 4	391,723	-	391,723	23,546	289,688	-	-	313,234	313,234
TECHNICAL BLDG REPLACEMENT	2,313,000	-	2,313,000	-	1,040,000	-	-	1,040,000	1,040,000
Total State Awards				<u>\$ 43,713,920</u>	<u>\$ 6,263,206</u>	<u>\$ 12,443,078</u>	<u>\$ 3,532,501</u>	<u>\$ 33,992,805</u>	<u>\$ 33,952,769</u>

San Bernardino Community College District
 Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
 Year Ended June 30, 2020

CATEGORIES	Revised Reported Data*	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit	93.51	-	93.51
2. Credit	1,853.76	-	1,853.76
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit	-	-	-
2. Credit	4.00	-	4.00
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,765.11	-	7,765.11
(b) Daily Census Contact Hours	1,516.82	-	1,516.82
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	279.74	-	279.74
(b) Credit	950.68	-	950.68
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	1,416.73	-	1,416.73
(b) Daily Census Procedure Courses	1,593.77	-	1,593.77
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>15,474.12</u>	<u>-</u>	<u>15,474.12</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit	-	-	-
2. Credit	637.88	-	637.88
CCFS-320 Addendum			
CDCP Noncredit FTES	126.25	-	126.25

* Annual report revised as of October 30, 2020

San Bernardino Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2020

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	\$ 20,541,355	\$ -	\$ 20,541,355	\$ 20,541,355	\$ -	\$ 20,541,355
Other	1300	17,155,628	-	17,155,628	17,155,628	-	17,155,628
Total Instructional Salaries		37,696,983	-	37,696,983	37,696,983	-	37,696,983
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	8,220,403	-	8,220,403
Other	1400	-	-	-	800,743	-	800,743
Total Noninstructional Salaries		-	-	-	9,021,146	-	9,021,146
Total Academic Salaries		37,696,983	-	37,696,983	46,718,129	-	46,718,129
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	20,701,442	-	20,701,442
Other	2300	-	-	-	1,529,629	-	1,529,629
Total Noninstructional Salaries		-	-	-	22,231,071	-	22,231,071
Instructional Aides							
Regular Status	2200	1,672,965	-	1,672,965	1,672,965	-	1,672,965
Other	2400	745,054	-	745,054	745,054	-	745,054
Total Instructional Aides		2,418,019	-	2,418,019	2,418,019	-	2,418,019
Total Classified Salaries		2,418,019	-	2,418,019	24,649,090	-	24,649,090
Employee Benefits	3000	13,623,511	-	13,623,511	27,246,664	-	27,246,664
Supplies and Material	4000	-	-	-	997,711	-	997,711
Other Operating Expenses	5000	72,478	-	72,478	12,119,780	-	12,119,780
Equipment Replacement	6420	-	-	-	310,638	-	310,638
Total Expenditures		13,623,511	-	13,623,511	42,694,853	-	42,694,853
Prior to Exclusions		53,810,991	-	53,810,991	112,042,012	-	112,042,012

San Bernardino Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2020

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	178,811	-	178,811
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	2,669,821	-	2,669,821
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

San Bernardino Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2020

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 2,885,040	\$ -	\$ 2,885,040
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6410	-	-	-	26,328	-	26,328
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	26,328	-	26,328
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	5,760,000	-	5,760,000
Total for ECS 84362, 50 Percent Law		\$ 53,810,991	\$ -	\$ 53,810,991	\$ 106,282,012	\$ -	\$ 106,282,012
Percent of CEE (Instructional Salary Cost/Total CEE)		50.63%		50.63%	100.00%		100.00%
50% of Current Expense of Education					\$ 53,141,006		\$ 53,141,006

San Bernardino Community College District
 Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements
 Year Ended June 30, 2020

	General Fund	Measure M Bond Fund	Measure CC Bond Fund
Fund Balance			
Balance, June 30, 2020, (CCFS-311)	\$ 27,545,463	\$ 30,673,007	\$ 295,738,648
Post closing entries			
Change in:			
Investments	-	277,702	-
Accounts receivable	(747,396)	-	-
Accounts payable	-	-	112,422
	-	-	112,422
Balance, June 30, 2020, Audited	\$ 26,798,067	\$ 30,950,709	\$ 295,851,070

San Bernardino Community College District
 Proposition 30 Education Protection Account (EPA) Expenditure Report
 Year Ended June 30, 2020

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				\$ 7,769,775
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 7,769,775	\$ -	\$ -	\$ 7,769,775
Total Expenditures for EPA		\$ 7,769,775	-	-	\$ 7,769,775
Revenues Less Expenditures					\$ -

San Bernardino Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balance:		
General Fund	\$ 26,798,067	
Special Revenue Funds	(513,365)	
Capital Project Funds	332,682,859	
Debt Service Funds	68,109,256	
Enterprise Funds	51,055,755	
Internal Service Funds	8,450,475	
Fiduciary Funds	<u>123,727</u>	
Total fund balance - all District funds		\$ 486,706,774

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	768,740,850	
Accumulated depreciation is	(192,616,564)	
Less fixed assets already recorded in the enterprise funds	<u>(44,865,027)</u>	531,259,259

The District has refunded debt liabilities with crossover bonds. These investments are held in an escrow account to pay liabilities remaining on the books until the crossover date.

37,007,231

In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.

(14,510,698)

Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources amount to and related to:

Debt refundings	29,915,177	
Aggregate net other postemployment benefits (OPEB) liability	1,892,609	
Aggregate net pension liability	<u>50,383,697</u>	
Total deferred outflows of resources		82,191,483

Deferred inflows of resources represent an acquittal of net position in a future period and is not reported in the District's funds. Deferred inflows of resources amount to and related to:

Aggregate net other postemployment benefits (OPEB) liability	(2,796,273)	
Aggregate net pension liability	<u>(9,039,896)</u>	
Total deferred inflows of resources		(11,836,169)

San Bernardino Community College District
 Reconciliation of Government Funds to the Statement of Net Position
 Year Ended June 30, 2020

Aggregate net OPEB liability is not due and payable in the current period, and is not reported as liability in the funds.		\$ (1,315,493)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(137,742,516)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable, including premium	\$ (877,249,988)	
Compensated absences	(4,391,022)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	<u>(31,325,949)</u>	<u>(912,966,959)</u>
		<u>\$ 58,792,912</u>

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District’s governing board members administration members and auxiliary organizations as of June 30, 2020.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of District, it is not intended to and does not present the financial position, changes in fund balance, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the (*identify the basis of accounting*) basis of accounting. No federal financial assistance has been provided to a subrecipient. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Loans

The Federal Perkins Loans program represents an outstanding loan with the District with continuing compliance requirements. The balance on the outstanding loan at June 30, 2020, was \$137,307.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Net Position:		\$ 30,689,935
Forest Reserves	10.665	(131,597)
Total Expenditures of Federal Awards		\$ 30,558,338

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50% of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's audited financial statements.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

San Bernardino Community College District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
February 19, 2021



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees
San Bernardino Community College District
San Bernardino, California

Report on Compliance for Each Major Federal Program

We have audited San Bernardino Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003. Our opinion on each major federal program is not modified with respect to these matter.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003, that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 19, 2021



Independent Auditor’s Report on State Compliance

Board of Trustees
San Bernardino Community College District
San Bernardino, California

Report on State Compliance

We have audited San Bernardino Community College District’s (the District) compliance with the types of compliance requirements described in the 2019-2020 California Community Colleges Chancellor’s Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management’s Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance of each of the District’s State programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2019-2020 California Community Colleges Chancellor’s Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District’s compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District’s compliance with State laws and regulations applicable to the following:

- Section 411 SCFF Data Management Control Environment
- Section 421 Salaries of Classroom Instructors (50 Percent Law)
- Section 423 Apportionment for Activities Funded From Other Sources
- Section 424 Student Centered Funding Formula Base Allocation: FTES
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Dual Enrollment (CCAP and Non-CCAP)
- Section 430 Scheduled Maintenance Program
- Section 431 Gann Limit Calculation

Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) funds; therefore, the compliance tests within this section were not applicable.

The District did not have any through Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted in the table above that were audited for the year ended June 30, 2020,

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Contracted District Audit Manual*, this report is not suitable for any other purpose.



Rancho Cucamonga, California
February 19, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major Federal programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Student Financial assistance Cluster	84.007, 84.033, 84.063, 84.038
COVID 19: CARES Act Higher Education Emergency Relief Fund (HEERF) Student Aid Portion; COVID 19: CARES Act Higher Education Emergency Relief Fund (HEERF) Institutional Portion	84.425E, 84.425F
Dollar threshold used to distinguish between Type A and Type B programs:	\$916,750
Auditee qualified as low-risk auditee	No

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified
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The following finding represents a material weakness and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2020-001 Financial Reporting

Criteria or Specific Requirement

The accounting system used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting Manual (BAM). Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

Material Weakness - Adjustments and reclassifications were required to conform to the BAM and GAAP during the District's closing process. Corrections were made to the various accounts included below, but not limited to:

- Interest income for an investment account was not recorded for the year and required a material adjustment to ensure accuracy of account balances.
- The Accounts payable and Accounts receivable balances required material adjustments.
- Interfund transactions were not properly accounted for during the fiscal year and required material post-close entries to be prepared by the District.
- Revenue was recognized in 2019-2020 for funds apportioned after year-end.
- A beginning balance adjustment was booked for activity related to the 2018-19 fiscal year.
- The KVCR Fund had a negative fund balance at June 30, 2020 representing an encroachment on the General Fund of the District.
- Multiple funds had a negative Cash in County balance at June 30, 2020.

Questioned Costs

Adjustments to the financial statements were reviewed with management and accepted for posting. No questioned costs were associated with this finding.

Context

The District maintains individual funds with asset and liability balances subject to the reconciliation process. The net impact to the individual funds is included on page 88 of this report.

Effect

Many adjustments to the general ledger were proposed as a result of the audit procedures. These adjustments were accepted by management to ensure the financial statements were presented in accordance with generally accepted accounting principles.

Cause

The oversight and monitoring controls over the individual asset and liability accounts and the closing process appear not to have been adhered to.

Repeat Finding: Yes. See Finding 2019-001.

Recommendation

The District should develop a closing procedure calendar at year end to ensure that all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. A regular and timely reconciliation of all accounts should be performed with any inconsistencies reconciled and adjusted prior to year-end. Cash and ending fund balances should be monitored for negative balances.

View of Responsible Officials and Corrective Action Plan

Management will further update its year-end closing procedures to ensure all transactions are recorded and accounts are reconciled prior to closing the general ledger. Cash and ending fund balances will be monitored more closely to address negative balances.

The following findings represent significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2020-002 Special Tests and Provisions

Program Name: Student Financial Assistance Cluster

CFDA Number: 84.007,84.033, 84.063

Federal Agency: U.S. Department of Education (ED)

Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

OMB Compliance Supplement, 34 CFR section 668.173(b): Timing of Return of Title IV Funds

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initialed to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date of institution determined that the student withdrew.

Condition

Significant Deficiency – At San Bernardino Valley College, the District’s portion of the Return to Title IV funds was not returned within the 45 day requirement for 13 out of the 20 students tested.

Questioned Costs

No questioned costs as the funds were all returned to the Department of Education.

Context

There were 541 Return to Title IV calculations completed for Valley College and 30 were completed for Crafton Hills College.

Effect

Without proper monitoring of student withdrawals, the District is at risk of noncompliance with the above referenced criteria.

Cause

The District’s policies and procedures were not properly adhered to.

Repeat Finding: Yes. See Finding 2019-002.

Recommendation

It is recommended the institution should establish effective controls to ensure the Return to Title IV funds occurs within 45 days from the date the institution determines the student withdrew from all classes.

View of Responsible Officials and Corrective Action Plan

The San Bernardino Valley College Financial Aid Office will further update its controls to ensure that Return to Title IV funds occurs within 45 days from the date the institution determines the student withdrew from all classes.

2020-003 Special Tests and Provisions

Program Name: Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.063, and 84.268
Federal Agency: U.S. Department of Education (ED)
Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

OMB Compliance Supplement, OMB No. 1845-0035 – Institutions are required to report enrollment information under the Pell grant and the Direct and FFEL loan programs via the National Student Loan Data System (NSLDS).

Institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.

Institutions are responsible for accurately reporting the following significant data elements under the Campus-Level Record that ED considers high risk:

Enrollment Effective Date – The date that the current enrollment status reported for a student was first effective.

- OPEID Number – This is the OPEID for the location that the student is actually attending.
- Enrollment Effective Date – The date that the current enrollment status reported for a student was first effective.
- Enrollment Status – The student’s enrollment status as of the reporting date; full-time (F), three-quarter time (Q), half-time (H), less than half-time (L), leave of absence (A), graduated (Certification Date – The Date enrollment certified by school. At a minimum, schools are required to certify enrollment every 60 days.
- G), withdrawn (W), deceased (D), never attended (X) and record not found (Z)

Institutions are responsible for accurately reporting the following significant data elements under the Program-Level Record that ED considers high risk:

- OPEID – This is the OPEID for the location that the student is actually attending.
- CIP Code - The Classification of Instructional Programs (CIP) is a set of codes that define fields of study. CIP Codes are maintained by ED’s National Center for Education Statistics (NCES). They were most recently updated in 2020 and are usually updated every ten years.
- CIP Year – Year for the corresponding CIP code.
- Credential Level – Indicates the level of a credential the student will receive for the program the student is attending, for example undergraduate certificate, associate degree, or bachelor’s degree.
- Published Program Length Measurement – The institution identifies whether the Published Program Length is in days, weeks, or years.
- Published Program Length - Published Program Length should be reported based on the definition of “normal time” to completion in the regulations at 34 CFR 668.41(a).
- Program Begin Date – The Program Begin Date is the date the student first began attending the program being reported. Typically, this would be the first day of the term in which the student began enrollment in the program, unless the student enrolled in the program on an earlier date.
- Program Enrollment Status – The student’s enrollment status as of the reporting date; full-time (F), three-quarter time (Q), half-time (H), less than half-time (L), leave of absence (A), graduated (G), withdrawn (W), deceased (D), never attended (X) and record not found (Z).
- Program Enrollment Effective Date – The date that the enrollment status as of the reporting date reported for the program was first effective.

Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

Condition

Significant Deficiency – During our review of the enrollment reporting requirements it was observed that the enrollment effective date and the enrollment status was not accurately reported to NSLDS. The enrollment data for 1 student out of 40 tested for San Bernardino Valley College was not reported to NSLDS.

Questioned Costs

There were no questioned costs associated to the noncompliance.

Context

San Bernardino Valley College processed and reported Title IV awards for approximately 5,231 students during the fiscal year.

Effect

The District is not in compliance with the Federal requirements described in the OMB Compliance Supplement.

Cause

The District did not report enrollment information for students under the Pell grant and Direct and FFEL loan programs via NSLDS. The administration of the Title IV programs depends heavily on the accuracy and timeliness of the enrollment information reported by institutions.

Repeat Finding: No

Recommendation

The District should implement a process to review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.

View of Responsible Officials and Corrective Action Plan

The San Bernardino Valley College Financial Aid Office will update its controls to ensure accurate student enrollment data is reported to the National Student Loan Data System.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2019-001 Finding

Criteria or Specific Requirement

The accounting system used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting Manual (BAM). Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

Material Weakness - Adjustments and reclassifications were required to conform to the BAM and GAAP during the District's closing process. Corrections were made to the various accounts included below, but not limited to:

- Investment accounts required material reclassifications to ensure accuracy of account balances.
- Accounts payable and Accounts receivable balances relating to multiple funds required material adjustments.
- Interfund transactions were not properly accounted for during the fiscal year and required material reclassifications and adjustments.
- The revolving account was not properly reconciled.

Questioned Costs

Adjustments to the financial statements were reviewed with management and accepted for posting. No questioned costs were associated with this finding.

Context

The District maintains individual funds with asset and liability balances subject to the reconciliation process. The net impact to the individual funds is included on page 85 of the prior year report.

Effect

Many adjustments to the general ledger were proposed as a result of the audit procedures. These adjustments were accepted by management to ensure the financial statements were presented in accordance with generally accepted accounting principles.

Cause

The oversight and monitoring controls over the individual asset and liability accounts and the closing process appear not to have been adhered to.

Recommendation

The District should develop a closing procedure calendar at year end to ensure that all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. A regular and timely reconciliation of all accounts should be performed with any inconsistencies reconciled and adjusted prior to year-end.

Current Status

Not implemented. See current year finding 2020-001.

Federal Awards Findings

2019-002 Return to Title IV

Program Name: Student Financial Assistance Cluster

CFDA Number: 84.007,84.003, 84.063

Federal Agency: U.S. Department of Education (ED)

Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

OMB Compliance Supplement, 34 CFR section 668.173(b): Timing of Return of Title IV Funds

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initialed to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date of institution determined that the student withdrew.

Condition

Significant Deficiency – At San Bernardino Valley College, the District’s portion of the Return to Title IV funds was not returned within the 45 day requirement for 10 out of the 37 students tested.

Questioned Costs

No questioned costs as the funds were all returned to the Department of Education.

Context

There were 410 Return to Title IV calculations done for Valley College and 33 done for Crafton Hills College.

Effect

Without proper monitoring of student withdrawals, the District is at risk of noncompliance with the above referenced criteria.

Cause

The District's policies and procedures were not properly adhered to.

Repeat Finding: No

Recommendation

It is recommended the institution should establish effective controls to ensure the Return to Title IV funds occurs within 45 days from the date the institution determines the student withdrew from all classes.

Current Status

Not implemented. See current year finding 2020-002.

State Award Findings

2019-003 Dual Enrollment – Enrollment Fees

Criteria or Specific Requirement

California Code of Regulations (CCR) Education Code Section 76001(a) outlines the governing board of a community college may admit to any community college under its jurisdiction as a special part-time or full-time student in any session or term any student who is eligible to attend community college.

California Code of Regulations (CCR) Education Code Section 76001(d) outlines a special part-time student may enroll in up to, and including 11 units per semester, or the equivalent thereof, at the community college.

California Code of Regulations (CCR) Education Code Section 76003(f) outlines the governing board of a community college district may exempt special part-time students admitted pursuant to Section 76001 from the fee requirement.

Condition

One out of 25 students identified as dual enrolled students during testing was assessed enrollment fees. The student enrolled in only 4 units at Crafton Hills College for the Fall 2018 term, below the 11 unit threshold. Therefore, no enrollment fees should have been assessed to the student.

Questioned Costs

No questioned costs. The student was subsequently reimbursed for the enrollment fees.

Context

There were a total of 550 dual enrollment students (337 at Crafton Hills College and 213 at San Bernardino Valley College) enrolled during the 2018-2019 fiscal year. Based on the calculated error rate, the District is at risk of a total of 22 students being non-compliant.

Effect

The District inadvertently charged one special part-time student enrollment fees.

Cause

The District's procedures were not followed to ensure compliance with the dual enrollment requirements.

Recommendation

The District should implement an effective control procedure for monitoring compliance issues related to the dual enrollment program to ensure that compliance requirements are met.

Current Status

Implemented.

2019-004 Dual Enrollment – Course Publication

Criteria or Specific Requirement

California Code of Regulations (CCR) Education Code Section 76002(a)(B) requires that “if a decision to offer a class on a high school campus is made after the publication of the regular schedule of classes, and the class is solely advertised to the general public through electronic media, the class shall be so advertised for a minimum of 30 continuous days prior to the first meeting of the class.”

Condition

25 courses with Non-CCAP students enrolled were selected for testing of the Education Code criteria. Two of the 25 courses were not published a minimum of 30 days prior to the first meeting of the course. These courses were ultimately held at a high school location under the instruction of San Bernardino Valley College.

Questioned Costs

No questioned costs.

Context

There was a total of approximately 83 courses with dual enrolled students held at a high school during the 2018-2019 fiscal year. Based on the calculated error rate, a total of approximately 7 courses are at risk of noncompliance.

Effect

The District did not meet the minimum advertised number of continuous days for classes being held on a high school campus.

Cause

Compliance oversight prevented the District’s procedures to be followed related to dual enrollment requirements.

Recommendation

The District should implement a control procedure for monitoring compliance issues related to the dual enrollment program to ensure that compliance requirements are met.

Current Status

Implemented.

2019-005 Residency Determination for Credit Courses

Criteria or Specific Requirement

- 1) Education Code sections 66770-66773.5, 68000-68044, 68050-68080, 68082, 68100, 68101, 68130, 76140, 76140.5, and 76143
- 2) California Code of Regulations, title 5, sections 54000-54072, 58012, 59114, and 59116.
- 3) Chancellor's Office, Student Attendance Accounting Manual and related advisories (SAAM)
- 4) Memorandum from Chancellor's office dated 3/2/10 regarding out-of-state athletes, Residency Determination and nonresident Tuition Fees

Condition

Two out of twenty-five students tested at Crafton Hills who were identified as a #2 in the CCCApply generated report were misclassified. The #2 identifier is an indication that the applicant's residency was questionable and should be identified as a nonresident until proof of residency is provided by the applicant. The students were classified as a resident; however, the college was unable to provide documentation that supported this classification

Questioned Costs

The FTES relating to the two students found to be misclassified as residents is .8333, which amounts to a dollar value of \$4,292.44.

Context

Two out of twenty-five students selected were found to be misclassified regarding their residency status. There was a total of approximately 308 students classified as residents when further proof of residency was required as identified by the central processor during the fiscal year. Based on the calculated error rate, a total of approximately 37 students are at risk for residency misclassification.

Effect

The CCFS-320 report is overstated regarding the amount of FTES attributed to resident student and understated regarding the amount of FTES attributed to nonresident students. Since non-resident FTES are not funded through state apportionment, the overstatement of resident FTES results in an overclaim of apportionment.

Cause

When the student's questionable residency status was uploaded into the District's student information module, the system recognized the two students previously attended the college as a resident a year back and the system automatically classified the student as a resident. There appears to be a potential coding error in the District's student information system. In addition, there was a lack of effective controls to detect and correct the errors in student residency status.

Recommendation

The District should analyze their system processes to avoid potential residency misclassification errors in the future. The information in the system should also be reviewed to ensure the accuracy and reliability.

Current Status

Implemented.